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FISCAL POLICY USER MANUAL

EXPENDITURES: THIRD PARTY PAYER-1099 REPORTING

PREFACE

State agencies use various means to pay expenditures using a third party to make the original payment to the vendor. The state may use state-obligated credit cards such as debit cards, purchasing cards, or fuel cards. This policy identifies the level of posting required for those expenditures to address 1099-MISC reportable and non-1099-MISC reportable transactions.

State-obligated payments made using a third-party payer may cover all types of transactions except personnel (expense sub object code 4000). Those items that are 1099-MISC reportable are required to be reported to the IRS through the State Controller's Office 1099 system if the SCO does the agency's regular 1099-MISC reporting pursuant to Department of the Treasury Internal Revenue Service guidelines (Cat. No. 11409F).

DEFINITIONS

Third-party payer – The third-party vendor that makes the payment to the original vendor from which the purchase was made by the state agency. The third-party payer bills the agency for those purchases made on behalf of the state.

POLICY

All state-obligated purchases for 1099-MISC reportable items made through a third-party payer should be adjusted to the original vendor from whom the purchase was made, as if the payment was made directly by the agency.

Non-1099-MISC reportable items can be posted to a generic vendor number if the agency finds this more efficient, or they can be coded to the original vendor from where the purchase was made. The detailed information on all purchases must be retained and made available pursuant to the *Idaho Code* statute, regarding public information, including but not limited to *Idaho Code*, Title 9, Chapter 3, Sections 338-340; *Idaho Code* 67-1041; and *Idaho Code* 59-1010.

FISCAL IMPACT

None.

ADMINISTRATIVE PROCEDURES

Adjusting STARS entries are required for state-obligated third-party payer purchases.

1. The original payment to the third-party payer should be made using a transaction code 23P instead of the normal 230 transaction code. Sub-objects should be established for each type of third-party payer (credit card, P-card, employee paid, etc.) for use when making this TC 23P payment. This is for control purposes.
2. The agency should then adjust the amount of the TC 23P entry from the third-party payer record and sub-object(s) using a transaction code 27X.
3. The TC 27X should be offset with a posting to the appropriate vendor and sub-object using either a TC 27Y or a TC 27Z, if posting to an encumbrance. If posting to a generic vendor, the correct sub-object for the purchase must still be used.

Transaction Code	Description
TC 23P	record a monthly third-party payer expenditure payment
TC 27X	third-party payer expenditure adjustment to vendor payment file - reduction
TC 27Y	third-party payer expenditure adjustment to vendor payment file - charge
TC 27Z	third-party payer encumbrance expenditure adjustment to vendor payment file – charge

If applicable, generic vendors will be assigned by SCO for the different types of third-party payers.